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Review of the UNICEF cost-recovery policy

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Executive Director of the United Nations Children's Fund (UNICEF) on the review of UNICEF cost-recovery policy (E/ICEF/2006/AB/L.4). During its consideration of the report, the Advisory Committee met with the Deputy Executive Director and other representatives, who provided additional information and clarification.

2. The Advisory Committee observes that the report on the UNICEF cost-recovery policy contains a detailed analysis of limitations of the current recovery policy which in many instances have hindered the ability of UNICEF to be an effective partner. As indicated in the report, the recovery policy is considered too complex with its 15 different contribution categories and seven distinct recovery rates; UNICEF staff members have had to spend inordinate amounts of time clarifying between field offices and headquarters what rates to apply in each case, and explaining the policy to donors (see para. 2, E/ICEF/2006/AB/L.4). This time spent has given the appearance that UNICEF is a difficult agency to work with, that its recovery rates are higher than those of other United Nations agencies, especially the members of the United Nations Development Group (UNDG) Executive Committee (i.e., UNICEF, the United Nations Development Programme, the United Nations Population Fund and the World Food Programme) and that it is also expensive as a programme implementer (see para. 3, ibid.).

3. The Advisory Committee welcomes the approach to present all viable recovery options. Annex VI to the report contains information on all seven options analysed, including the current model, and their relative advantages and limitations.

* E/ICEF/2006/10.

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4. The Committee notes that UNICEF recommends a base recovery rate of 7 per cent for other resources income with thematic contributions assessed at 5 per cent. The current rate of 5 per cent for non-thematic funding raised by the private sector in programme countries will be maintained. The Committee further notes that these rates are consistent with those used by all UNDG Executive Committee agencies.

5. Under the proposed recovery policy, a 1-per-cent reduction could be applied to joint programmes, where the Executive Director considers this is in the best interest of enhancing the collective efforts of United Nations agencies in the spirit of United Nations reform, and a 1-per-cent reduction could be applied to contributions over $40 million, where the Executive Director is satisfied that economies of scale are met.

6. The Committee notes from paragraph 6 of the report that although the application of the new base rate with incentives could result in a $10 million shortfall in projected other resources income for the biennium 2006-2007, UNICEF believes that the adjustment would expand the opportunities for receiving additional other resources income beyond the current forecast and thus, based on the new schedule, make up the gap.

7. The Advisory Committee recommends that the Executive Board approve the revised recovery policy, as contained in paragraph 46 of document E/ICEF/2006/AB/L.4.